

DESIGNING ECONOMIC AND COMMUNITY DEVELOPMENT FOR SUCCESS IN THE 21ST CENTURY

The economic landscape of Oregon today is layered and complex. Its vitality is tied to thriving communities, a strong workforce, a healthy environment, and diversified, progressive industries.

That said, Oregon faces some unprecedented challenges. One million more people will call the state “home” by 2025. Actions to mitigate climate change have become more critical. Community infrastructure assets are antiquated. Revenue forecasts are down. And, while there are abundant opportunities in the global marketplace for Oregon companies, there is also intense competition from other states and nations.

With challenges come opportunities. It is imperative that Oregon manage its assets and position itself now for continued economic success into the 21st Century. By taking advantage of opportunities, particularly those presented by promoting industries fighting global warming with innovation and new technologies, Oregon will stimulate new businesses and jobs.

ANALYSIS AND FINDINGS

Recognizing that Oregon must plan its economy’s future, in late 2007 Governor Kulongoski commissioned an evaluation of economic development efforts at the state level, particularly within the Oregon Economic and Community Development Department (OECDD).

The findings, initially shared with the Oregon Economic and Community Development Commission in February 2008, focused on some core structural issues and the scope of work required of the agency. The breadth and disparate expectations of these have fundamentally hindered OECDD’s ability to be successful with the Legislature as well as with the many stakeholder groups around the state that depend on a strong state partner.

The Commission found that the work of two of the agency’s three program divisions is reasonably aligned. The Business/Trade Development and Innovation/Economic Strategies divisions have integrated goals to keep, grow and attract business.

The primary function of the Community Development Division, however, is to help communities achieve their infrastructure goals, particularly safe drinking water, water and wastewater systems, and other public works projects. It administers Community Development Block Grants and the state Special Public Works Fund among other responsibilities.

In spite of these very disparate responsibilities, all divisions have been asked to work toward one broad mission (“To Advance Oregon’s Economy”) and success agency-wide is measured by one metric: job creation. As a result, the success and needed focus for both business and infrastructure-based efforts have been frustrated by both being under one roof.

The Commission’s report concluded that while community-based infrastructure functions and business development activities remain equally important, their objectives, deliverables and customers are different.

The OECD Commission weighed various options and determined that organizational realignment that recognizes discrete functions will help each be better able to pursue meaningful, relevant deliverables and improve their success with the Legislature and their partners around the state.

RECOMMENDATIONS BASED ON CLARITY, ACCOUNTABILITY AND VIABILITY

To realize this potential, the Commission and members of the Governor’s policy team developed and presented initial recommendations to the Governor in March 2008. Essentially they propose to redefine the structure of the Oregon Economic and Community Development Department so the diverse expectations of public works and business development can be fulfilled within a framework that facilitates success.

The recommendations would separate business development activities from community development functions to create more focused and tactical approaches for each. New missions, goals and objectives will be identified for each.

Acknowledging the importance of discrete kinds of work, and reorganizing to achieve peak performance is good public policy for 2008 and beyond. It keeps complementary work together and realigns goals and objectives for each that ensure accountability, clarity and understanding of their respective missions.

Appropriate metrics will be developed that measure different accomplishments with more relevant deliverables. For instance, 'job creation' does not accurately reflect whether or not a sewer or water system is a success. Job creation, however, is an appropriate metric for business development activities. In short, a one-size-fits-all approach to key performance measures across such disparate kinds of work does not accurately quantify results of many successes created on behalf of Oregon's citizens.

PUBLIC WORKS

Community Development activities will be more accurately characterized as "Public Works." These functions will be refocused to ensure a sustainable relationship between the natural and built environments. An asset management model will provide the framework for much of Public Works' efforts. This new system will inventory and manage the long-term life cycle of community infrastructure systems, and create objective criteria from which the Legislature can make its long-term budget decisions.

The OECD Commission also proposed rewarding those communities that pursue public works projects that are environmentally progressive. The outcome will be better health and safety of communities, ability to help solve the state's long-term water issues, and incentives for communities to seek more holistic, sustainable water and wastewater models.

All of these efforts provide key building blocks to long-term livability for communities, and for the state as a whole.

BUSINESS DEVELOPMENT

To be a catalyst of sustainable, environmentally sensitive economic growth, the Commission recommended chartering a dedicated department to conduct business development. This agency will leverage innovation and strategic partnerships that promote Oregon's competitive advantages in the global economy.

Business development will focus on retaining and expanding Oregon companies in three distinct, but interconnected ways:

- State-defined traded sector businesses (i.e., participate in interstate commerce), focusing strategically on products and services such as green building and renewable technologies, where Oregon has a natural competitive advantage.
- Regionally defined traded-sector clusters (such as metals, sustainable agriculture, or apparel)
- Community-based non-traded sector businesses

Well over half of all business development work done in Oregon is focused on keeping or growing existing businesses, and renewed partnerships with regional economic development agencies will further their competitiveness.

To help all Oregon businesses succeed and grow, a professional staff of specialists will be available to seamlessly provide or coordinate technical assistance services in specialties such as lean manufacturing, sustainable business practices, workforce development, etc.

The Commission recommended that Oregon focus its business recruiting efforts on targeted industries that advance clean technologies. Not only are global warming and sustainable development an opportunity to attract new companies that are a great fit for Oregon's expertise in clean technology, but also Oregon is already recognized worldwide for being a center of renewable energy companies. Oregon is on the cusp of being the largest producer of photovoltaic solar cells in the nation, and the strategic thinking that pursued that cluster of businesses will work to expand and communicate Oregon's stake in this thriving industry sector.

Importantly, a dedicated business development agency will do a much better job integrating the work of its innovation and economic strategies specialists into all of its efforts. Connecting research and technology assets to existing and prospective companies will help grow and recruit both emerging and mature industries.

NEXT STEPS

The Governor, Commissioners and OECD staff will present these findings and recommendations to legislators, partners and stakeholders around the state. The next few months will also see structural details of the realignment worked out in rule, executive order and legislative proposals.

By reorganizing OECD, each function will be poised to perform its work with agility and accountability. Public works and business development are important to the long-term viability of the state, and each deserves an organization and set of deliverables that are compatible with distinct, core missions.

Most importantly, these strategies will continue to ensure the state's leadership role in innovation into the 21st century, building on Oregon's advantages while remaining consistent with Oregon values.